

Testimony Of
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Before The
Subcommittee on Legislation & Budget Process
Of The
House Rules Committee
March 23, 2004

Thank you for the opportunity to appear before you today to testify about potential revisions to the federal budget process.

Let me begin by being as direct, straightforward, and unambiguous as possible: don't do it.

In the strongest possible terms and with as much sincerity as I can relay with words, tone, and body language, the crux of my testimony is that Congress should not enact any changes to the federal budget process this year.

Please understand how difficult it is for me to say this.

I am a budget process supporter and it is obvious that the current budget process is not working. It has gone from being a reason for pride for many of those involved in the budget to being the source for jokes for comedians on late-night television and something mocked by political analysts of all stripes and ideologies.

It is also painful for me to ask you not to make any changes because much of my career has been spent analyzing, explaining, and consulting on the federal budget process and big changes almost always result in an increase in demand for my services. I will derive a great deal of personal benefit if you revise the process not just now, but every year going forward.

Unfortunately, the country as a whole will not be that lucky. Enacting a new budget process without first developing the consensus necessary to make it work will be perpetrating a political hoax. You will be promising results the process cannot possibly deliver, allowing the process to be used to justify policy changes that will not otherwise seem appropriate, and allowing policymakers to hide behind procedural votes that at best will be confusing and at worst completely indecipherable.

In doing this you will end up reducing confidence in federal budgeting. This will be a disaster as the choices only get more difficult in the years ahead and as voters and Wall Street need to believe even more that Washington is capable of doing the right thing when it comes to fiscal policy.

The truth is that you are focused on the wrong thing. To paraphrase former Congressional Budget Office Director Rudolph Penner, the budget process is not the problem...the *problem* is the problem. Revising the congressional budget process without first having a bipartisan political

* The opinions expressed in this testimony and in response to questions from the subcommittee are only those of Mr. Collender and not of Financial Dynamics Business Communications.

consensus on what is to be accomplished will make the process you come up with irrelevant almost immediately. It will end up being little more than an historical artifact, something that may be of use to explain the politics of the time in which it was enacted but will have little or no actual value beyond that.

Each of the previous large scale federal budget process changes that have been successfully adopted have been based on a political consensus that existed about what had to be done. The budget process change merely reflected that consensus.

The Congressional Budget Act was put in place in 1974 only after there was an agreement that a policy-neutral budget process was needed.

Gramm-Rudman-Hollings was adopted in 1985 when there was a consensus that the 1974 process needed to be revised so that deficit reduction was required.

Gramm-Rudman itself was revised in 1990 by the Budget Enforcement Act when a consensus developed that deficit reduction was still important but GRH was flawed.

I defy you to tell me what the consensus is today. Is it deficit reduction? Spending limits? Tax reduction? Entitlement limits? Discretionary spending reductions? Managing the national debt? Pay-as-you go restrictions for new mandatory spending and revenues? PAYGO just for spending? Getting all bills enacted by the start of the fiscal year? Limits on new tax cuts but not old ones? Limits for all spending except military and homeland security? Protecting Social Security? Protecting Medicare? Protecting Social Security and Medicare?

Each of these have been discussed this year and many have dedicated champions in Congress or the administration. A number of them are the basis for the proposals you are considering.

But none can authoritatively be said to be the consensus around which a budget process can be developed this year.

Develop that agreement first and a new federal budget process that accomplishes it will be easy to put together, enact, and implement. But starting with a process that tries to impose a consensus, as you are now considering, should be seen...and exposed...for what it truly is—the political equivalent of trying to put a square peg in a round hole.

On top of everything else, none of the procedural changes being proposed are really needed: Congress already has all the tools it needs to do something about the budget if it wants to do so. Every spending and revenue limit and deficit reduction could be accomplished right now without Congress passing a new budget process.

If that's the case, the logical question is why are we here today? Why is anyone on Capitol Hill talking about revising the process if Congress has the ability to do what it wants on the budget right now?

The most truthful answer is that Congress doesn't know what it wants to do on the budget. As I've already noted, there are many ideas and preferences but none that are even close to being the political common wisdom. If one were, no one would be talking about the process. Instead, they would be debating and voting on the actual legislation that would accomplish the generally accepted goal.

In fact, this discussion is not really about the budget process at all. Rather, it is about trying to guarantee a particular spending or tax change, or at least making it far more likely that such a policy will be adopted. That makes both the stakes of this debate and the level of cynicism we should all have about it far greater than they might seem at first glance.

On top of everything else, embodying policy choices in a new budget process statute, that is, making it the law of the land, will not actually guarantee they will be implemented anyway. The lack of penalties for failing to comply with provisions combined with what in recent years has become an increasingly ingenious ability to circumvent rules has made the congressional budget process more of a nuisance for most policymakers than an impediment.

Unless you tell me that you are going to impose mandatory criminal or civil penalties on members of Congress and congressional committees for missing deadlines and failing to satisfy other budget process requirements, unless you somehow make it impossible to finesse the numbers, and unless you guarantee that definitions of "emergencies" and other budget concepts cannot be changed when a majority has the votes to do so, the fact that a new budget process will be "a law" will make little difference.

If you are truly interested in budget process reform, I urge you to follow the example of your colleagues from the start of the modern era of federal budgeting. In the early 1970s, Congress created an ad hoc group of members to review the way it budgets. Two years later, after countless meetings, legislative drafts, and extensive formal debates on the floors of the House and Senate, the result was the Congressional Budget and Impoundment Control Act.

The procedural changes put in place then continue to be the basis for what Congress still does on the budget today. That act has withstood the test of time because it represented a broad consensus about what needed to be done. That consensus included representatives and senators; Republicans and Democrats; liberals and conservatives; and, what some might consider even more amazing, appropriators, authorizers, and tax writers.

If you are going to do anything at all this year, create today's version of the bipartisan, bicameral, ad hoc group your colleagues created more than three decades ago. Take the current political situation out of the equation by giving this group a year or two to develop its recommendations. The recommendations should be delivered to Congress, which should then consider them through the regular legislative process.

Other than that, I urge you to reject all of the changes in the federal budget process that have been proposed so far and any others that may come to you the rest of this year. Don't ask the House to debate or vote on these proposals, which are doomed to fail and a waste of everyone's time.